

VZCZCXRO7927
OO RUEHROV
DE RUEHDM #0797/01 3211341
ZNY CCCCC ZZH
O 171341Z NOV 09
FM AMEMBASSY DAMASCUS
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7033
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RUEHAK/AMEMBASSY ANKARA PRIORITY 5864
RUEHRL/AMEMBASSY BERLIN PRIORITY 0219
RUEHLO/AMEMBASSY LONDON PRIORITY 0785
RUEHMD/AMEMBASSY MADRID PRIORITY 0335
RUEHFR/AMEMBASSY PARIS PRIORITY 0742
RUEHSM/AMEMBASSY STOCKHOLM PRIORITY 0141
RUEAIIA/CIA WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 000797

SIPDIS

DEPT FOR NEA/ELA, EEB/EX, EEB/ESC/TFS, L/EB
COMMERCE FOR BIS/SONDERMAN/CHRISTINO
NSC FOR SHAPIRO/MCDERMOTT
TREASURY FOR HAJJAR/CURTIN
PARIS FOR NOBLES
LONDON FOR LORD

E.O. 12958: DECL: 11/16/2019
TAGS: [ECON](#) [EINV](#) [PGOV](#) [PREL](#) [SY](#)
SUBJECT: PRE-RAMADAN "SHAKEDOWN" OF CARGILL SUGAR REFINERY

REF: A. DAMASCUS 786
[1](#)B. DAMASCUS 783

DAMASCUS 00000797 001.4 OF 002

Classified By: Charge d'Affaires Chuck Hunter for reasons 1.4(b,d)

[1](#)1. (C) Summary: Cargill's plant manager and his Syrian partner confirmed that the Syrian Ministry of Economy ordered the mid-August seizure of some 6,000 metric tons of warehoused sugar after charging Cargill with "hoarding" and "monopolistic practices." Under Syrian law, firms operating in Syria are prohibited from storing "strategic goods" in order to benefit from increasing market prices when those goods are to be purchased by the state for distribution to the public at highly subsidized prices. The Ministry's "anti-hoarding" branch, along with 100 or so uniformed police and unidentified security forces, descended on the plant outside Homs in a midnight raid, closed the plant, and loaded two production days' worth of bagged sugar onto trucks. According to the plant manager, the sugar's value was roughly \$3.5 million. Cargill's Syrian partner later clarified that, after the seizure, the government paid the plant for the sugar based on old prices, which represented roughly a 30 percent markdown on market prices. The net loss for the company was valued at 1.5 million. U.S.-based Cargill officials are aware of the incident and are reportedly hopeful some of these expenses can be recouped through legal proceedings, while Syrian-based observers remain skeptical this tact will succeed. End Summary.

[1](#)2. (C) Cargill's sugar refinery manager Anio Du Pisani (strictly protect) told us November 15 that officials from the Syrian Ministry of Economy ordered a mid-August raid on his plant, which opened officially in 2008. Du Pisani reported the Ministry's "anti-hoarding" branch, along with roughly 100 uniformed police and other security service personnel, showed up at midnight, ordered the closure of the plant, and sealed off the plant's warehouse. Trucks then arrived to empty the warehouse, which contained 6,000 metric tons of refined sugar, valued at roughly \$3.5 million. According to Ministry officials, this seizure was a result of

the plant's illegal "hoarding" of a strategic good at a time when local market prices were increasing. Du Pisani said that Cargill's Syrian partner, the Syrian National Sugar Company, sold roughly half of its monthly production to the government, which distributed the sugar at highly subsidized prices. "The government accused us of 'hoarding' two days worth of production in order to avoid paying higher market prices," he explained. The Ministry eventually reimbursed the company for the seized sugar, but at a significantly lower (30 percent) price. The mark-down and disruption to plant operations cost the company roughly \$1.5. million, which it was seeking to recoup through the Syrian legal system. The company faced long odds in succeeding, however, because Syrian law assigned jurisdiction of "hoarding" cases to a military court, Du Pisani clarified.

13. (C) Cargill's Syrian partner, Mohamad Najib Assaf, confirmed these details and said the matter was "largely closed." The Ministry had acted on the belief that the plant was storing significantly more stock than it discovered, he claimed. "Price gouging is a serious offense in Syria, particularly for goods the government procures and distributes to lower-income citizens at subsidized prices," he noted. "We're a new operation and the Ministry is not familiar with our practices." Assaf noted that Cargill executives based in the U.S. had been in contact with him on the matter and hoped the company's legal efforts might recoup some of the losses, but they seemed to accept the government's action.

14. (C) Comment: This incident represents the first "anti-hoarding" operation in recent memory involving a Syrian-U.S. partnership. It also contrasts starkly with Cargill's sunny narrative (often cited by Syrian officials

DAMASCUS 00000797 002.3 OF 002

and businessmen) on its successful direct investment in Syria. At a time when Syrian officials and others, such as UK investor Wafic Said and Wall Street strategist Barton Biggs, who recently wrote a Newsweek column hyping Syria as the "next hot market," are promoting Syria as a lucrative opportunity for foreign investors (reftels), Cargill's experience serves as a poignant reminder of the government's solid control of the Syrian economy. Du Pisani, a South African native, remains shaken by his experience with Syrian authorities and plans to leave Syria "for somewhere more stable," after his contract expires in July 2010.
HUNTER